



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2006
OF THE CONDITION AND AFFAIRS OF THE

Health Alliance Plan of Michigan

NAIC Group Code	1311	1311	NAIC Company Code	95844	Employer's ID Number	38-2242827
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Dental Service Corporation [] Vision Service Corporation [] Other [] Health Maintenance Organization [X] Hospital, Medical & Dental Service or Indemnity [] Is HMO, Federally Qualified? Yes [X] No []					
Incorporated/Organized	06/27/1978			Commenced Business	02/08/1979	
Statutory Home Office	2850 West Grand Boulevard			Detroit, MI 48202		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	2850 West Grand Boulevard					
	Detroit, MI 48202			313-872-8100		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	2850 West Grand Boulevard			Detroit, MI 48202		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	2850 West Grand Boulevard					
	Detroit, MI 48202			248-443-1093		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Internet Website Address	www.hap.org					
Statutory Statement Contact	Dianna Ronan CPA			248-443-1093		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	dronan@hap.org			248-443-8610		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact	2850 West Grand Boulevard					
	Detroit, MI 48202			313-872-8100		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number) (Extension)		

OFFICERS

Name	Title	Name	Title
Francine Parker	President and CEO	Maurice E. McMurray	Secretary
Ronald W. Berry	Treasurer	Colleen McClorey	Assistant Secretary

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Nicholas C Anderson	Donald W Boggs	Mary Beth Bolton M D	Mary E Bunn #
Herman W Coleman	William A Conway M D	Dennis H DePaulis	Mary C Dickson
John T Gargaro	Jethro Joseph	Jackie Martin #	Francine Parker
William L Peirce	Carol Quigley IHM	Catherine A Roberts	Robin Scales-Wooten
Nancy Schlichting	Gerald K Smith	Rebecca R Smith M D	Susan Wells #

State ofMichigan.....

ss

County ofWayne.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Francine Parker
President and CEO

Maurice E McMurray
Secretary

Ronald W Berry
Treasurer

Subscribed and sworn to before me this
_____ day of _____,

Roderick Irwin Curry
Notary
August 14 2013

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	.0		.0	.0
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks	128,653,501		128,653,501	125,317,749
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....	2,795,374	1,911,881	883,493	912,611
4.2 Properties held for the production of income (less \$ encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ encumbrances) .....			.0	.0
5. Cash (\$ (8,345,906) , Schedule E, Part 1), cash equivalents (\$ 137,105,426 , Schedule E, Part 2) and short-term investments (\$ 42,460,410 , Schedule DA).....	171,219,931		171,219,931	118,016,875
6. Contract loans, (including \$ premium notes)			.0	.0
7. Other invested assets (Schedule BA)	63,056,652	.0	63,056,652	59,351,008
8. Receivables for securities .....			.0	.0
9. Aggregate write-ins for invested assets	871,238	.0	871,238	750,674
10. Subtotals, cash and invested assets (Lines 1 to 9)	366,596,695	1,911,881	364,684,814	304,348,917
11. Title plants less \$ charged off (for Title Insurers only) .....			.0	.0
12. Investment income due and accrued	1,190,984		1,190,984	847,935
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	19,289,034		19,289,034	32,257,158
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premium) .....			.0	.0
13.3 Accrued retrospective premium.....			.0	.0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			.0	.0
14.2 Funds held by or deposited with reinsured companies .....			.0	.0
14.3 Other amounts receivable under reinsurance contracts .....			.0	.0
15. Amounts receivable relating to uninsured plans .....			.0	.0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
16.2 Net deferred tax asset.....			.0	.0
17. Guaranty funds receivable or on deposit .....			.0	.0
18. Electronic data processing equipment and software.....	13,302,596	12,508,395	794,201	1,638,866
19. Furniture and equipment, including health care delivery assets (\$)	1,744,779	1,744,779	.0	.0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
21. Receivables from parent, subsidiaries and affiliates	1,256,619		1,256,619	1,013,328
22. Health care (\$ 6,071,146) and other amounts receivable.....	6,071,146		6,071,146	6,815,684
23. Aggregate write-ins for other than invested assets	14,620,017	13,930,767	689,250	788,000
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	424,071,871	30,095,823	393,976,048	347,709,889
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
26. Total (Lines 24 and 25)	424,071,871	30,095,823	393,976,048	347,709,889
DETAILS OF WRITE-INS				
0901. Rabbi Trust.....	871,238		871,238	750,674
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0	.0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	871,238	0	871,238	750,674
2301. Other Receivables.....	68,344		68,344	302,252
2302. Deferred Compensation.....	563,062		563,062	407,904
2303. Intangible Asset.....	2,185,578	2,185,578	.0	.0
2398. Summary of remaining write-ins for Line 23 from overflow page	11,803,033	11,745,189	57,843	77,843
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	14,620,017	13,930,767	689,250	788,000

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
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LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	96,624,845	1,286,412	97,911,257	80,847,424
2. Accrued medical incentive pool and bonus amounts	2,152,020		2,152,020	2,796,505
3. Unpaid claims adjustment expenses	857,444		857,444	1,101,625
4. Aggregate health policy reserves	4,480,009		4,480,009	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	17,777,822		17,777,822	19,402,712
9. General expenses due or accrued	14,284,396		14,284,396	11,557,321
10.1 Current federal and foreign income tax payable and interest thereon (including				
\$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$7,155 (including				
\$7,155 current)	236,223		236,223	0
15. Amounts due to parent, subsidiaries and affiliates	606,556		606,556	221,118
16. Payable for securities	422,833		422,833	382,853
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans	4,419,257		4,419,257	0
21. Aggregate write-ins for other liabilities (including \$ current)	8,475,978	0	8,475,978	10,627,022
22. Total liabilities (Lines 1 to 21)	150,337,383	1,286,412	151,623,795	126,936,579
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX		0
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	242,352,253	220,773,309
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24				
\$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25				
\$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	242,352,253	220,773,309
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	393,976,048	347,709,889
DETAILS OF WRITE-INS				
2101. Pension Liability - Long Term	6,825,803		6,825,803	9,149,641
2102. Retiree Health Benefits	1,087,112		1,087,112	1,069,477
2103. Deferred Compensation	563,062		563,062	407,904
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	8,475,978	0	8,475,978	10,627,022
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

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STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,268,071	5,446,041
2. Net premium income (including \$0 non-health premium income).....	XXX	1,587,239,857	1,507,239,774
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,587,239,857	1,507,239,774
Hospital and Medical:			
9. Hospital/medical benefits		999,048,051	969,677,677
10. Other professional services			0
11. Outside referrals		41,538,868	19,576,655
12. Emergency room and out-of-area		122,426,959	112,633,738
13. Prescription drugs		279,670,393	271,010,242
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		1,580,323	458,383
16. Subtotal (Lines 9 to 15)	0	1,444,264,594	1,373,356,695
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	1,444,264,594	1,373,356,695
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$7,320,225 cost containment expenses.....		14,472,835	17,408,413
21. General administrative expenses.....		95,252,446	96,030,520
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	1,553,989,875	1,486,795,628
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	33,249,982	20,444,146
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		15,225,821	9,403,016
26. Net realized capital gains (losses) less capital gains tax of \$(2,441).....		(2,441)	3,796,229
27. Net investment gains (losses) (Lines 25 plus 26)	0	15,223,380	13,199,245
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$)(amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	418,350	569,742
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	48,891,712	34,213,133
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	48,891,712	34,213,133
DETAILS OF WRITE-INS			
0601.	XXX		0
0602.	XXX		0
0603.	XXX		0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			0
1402.			0
1403.			0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901. Gain/(Loss) on the Sale of Assets.....		(24,492)	(29,709)
2902. Miscellaneous Revenue.....		442,842	599,451
2903.			0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	418,350	569,742

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STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	220,773,309	216,487,720
34. Net income or (loss) from Line 32	48,891,712	34,213,133
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	(2,085,130)	(3,684,723)
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	4,772,363	3,757,180
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders	(30,000,000)	(30,000,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	21,578,944	4,285,589
49. Capital and surplus end of reporting period (Line 33 plus 48)	242,352,253	220,773,309
DETAILS OF WRITE-INS		
4701.		0
4702.		0
4703.		0
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

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CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,598,583,092	1,490,591,806
2. Net investment income	10,225,116	8,839,795
3. Miscellaneous income	676,751	425,318
4. Total (Lines 1 through 3)	1,609,484,958	1,499,856,919
5. Benefits and loss related payments	1,427,845,246	1,391,041,799
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions	91,850,786	100,687,541
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	1,519,696,032	1,491,729,341
11. Net cash from operations (Line 4 minus Line 10)	89,788,926	8,127,578
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	0	0
12.2 Stocks	51,358	129,871,774
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	129,407	88,347
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	180,765	129,960,121
13. Cost of investments acquired (long-term only):		
13.1 Bonds	0	0
13.2 Stocks	5,474,681	101,610,884
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	58,153,058
13.6 Miscellaneous applications	80,583	436,936
13.7 Total investments acquired (Lines 13.1 to 13.6)	5,555,264	160,200,878
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(5,374,499)	(30,240,757)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	236,223	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	30,000,000	30,000,000
16.6 Other cash provided (applied).....	(1,447,595)	6,364,540
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(31,211,371)	(23,635,460)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	53,203,056	(45,748,639)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	118,016,875	163,765,513
19.2 End of year (Line 18 plus Line 19.1)	171,219,931	118,016,875

Note:	Supplemental disclosures of cash flow information for non-cash transactions:	
20.0001. Subsidiary acquired in a business acquisition.....	603,601	0
20.0002. Note given for subsidiary acquired.....	343,601	0
20.0003. Cash paid for subsidiary acquired.....	260,000	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	1,587,239,857	1,181,084,300	107,097,591	.0	.0	90,897,090	208,160,876	.0	.0	.0	.0	.0	.0
2. Change in unearned premium reserves and reserve for rate credit .....	.0												
3. Fee-for-service (net of \$ medical expenses) .....	.0												XXX
4. Risk revenue .....	.0												XXX
5. Aggregate write-ins for other health care related revenues .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
7. Total revenues (Lines 1 to 6)	1,587,239,857	1,181,084,300	107,097,591	.0	.0	90,897,090	208,160,876	.0	.0	.0	.0	.0	.0
8. Hospital/medical/ benefits	999,048,051	752,281,506	36,499,701			63,373,339	146,893,505						XXX
9. Other professional services .....	.0												XXX
10. Outside referrals	41,538,868	31,294,902	1,515,204			2,630,804	6,097,958						XXX
11. Emergency room and out-of-area	122,426,959	92,235,053	4,465,741			7,753,733	17,972,432						XXX
12. Prescription Drugs	279,670,393	192,070,087	50,475,199			17,021,048	20,104,059						XXX
13. Aggregate write-ins for other hospital and medical .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	1,580,323	1,580,323											XXX
15. Subtotal (Lines 8 to 14)	1,444,264,594	1,069,461,871	92,955,845	.0	.0	90,778,924	191,067,954	.0	.0	.0	.0	.0	XXX
16. Net reinsurance recoveries .....	.0												XXX
17. Total hospital and medical (Lines 15 minus 16)	1,444,264,594	1,069,461,871	92,955,845	.0	.0	90,778,924	191,067,954	.0	.0	.0	.0	.0	XXX
18. Non-health claims (net) .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
19. Claims adjustment expenses including \$ 7,320,225 cost containment expenses	14,472,835	10,716,973	931,502			909,687	1,914,673						
20. General administrative expenses	95,252,446	72,452,767	5,230,307			4,439,126	13,130,246						
21. Increase in reserves for accident and health contracts .....	.0												XXX
22. Increase in reserves for life contracts .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,553,989,875	1,152,631,611	99,117,654	.0	.0	96,127,737	206,112,873	.0	.0	.0	.0	.0	.0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	33,249,982	28,452,689	7,979,937	0	0	(5,230,647)	2,048,003	0	0	0	0	0	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,181,084,300			1,181,084,300
2. Medicare Supplement	107,097,591			107,097,591
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan	90,897,090			90,897,090
6. Title XVIII - Medicare	208,160,876			208,160,876
7. Title XIX - Medicaid.....				.0
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health.....				.0
12. Health subtotal (Lines 1 through 11)	1,587,239,857	.0	.0	1,587,239,857
13. Life .....				.0
14. Property/Casualty.....				.0
15. Totals (Lines 12 to 14)	1,587,239,857	0	0	1,587,239,857

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	1,425,620,438	1,053,144,104	93,045,550			90,772,447	188,658,337						
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	1,425,620,438	1,053,144,104	93,045,550	0	0	90,772,447	188,658,337	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	2,224,808	2,224,808											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	97,911,257	86,956,485	4,111,365	0	0	4,323,790	2,519,617	0	0	0	0	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	97,911,257	86,956,485	4,111,365	0	0	4,323,790	2,519,617	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0	0	0			0	0						
4.2 Reinsurance assumed	0					0	0						
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	2,152,020	2,152,020											
6. Net healthcare receivables (a)	0												
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	80,847,424	72,219,041	4,201,070	0	0	4,317,313	110,000	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	80,847,424	72,219,041	4,201,070	0	0	4,317,313	110,000	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	2,796,505	2,796,505	0	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:													
12.1 Direct	1,442,684,271	1,067,881,548	92,955,845	0	0	90,778,924	191,067,954	0	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,442,684,271	1,067,881,548	92,955,845	0	0	90,778,924	191,067,954	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	1,580,322	1,580,322	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct	15,201,527	13,227,176	846,908			608,422	519,021						
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	15,201,527	13,227,176	846,908	0	0	608,422	519,021	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	58,595,155	50,984,904	3,264,457			2,345,198	2,000,596						
2.2. Reinsurance assumed	0												
2.3. Reinsurance ceded	0												
2.4. Net	58,595,155	50,984,904	3,264,457	0	0	2,345,198	2,000,596	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct	24,114,575	22,744,405				1,370,170							
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	24,114,575	22,744,405	0	0	0	1,370,170	0	0	0	0	0	0	0
4. TOTALS:													
4.1. Direct	97,911,257	86,956,485	4,111,365	0	0	4,323,790	2,519,617	0	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net	97,911,257	86,956,485	4,111,365	0	0	4,323,790	2,519,617	0	0	0	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	48,098,169	1,005,045,935	6,397,271	80,559,214	54,495,440	72,219,041
2. Medicare Supplement	3,051,143	89,994,407	321,256	3,790,109	3,372,399	4,201,070
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums	3,627,523	87,144,924	329,270	3,994,520	3,956,793	4,317,313
6. Title XVIII - Medicare	59,084	188,599,253	631	2,518,986	59,715	110,000
7. Title XIX - Medicaid.....					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	54,835,919	1,370,784,519	7,048,428	90,862,829	61,884,347	80,847,424
10. Healthcare receivables (a).....					0	
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	2,224,808		571,697	1,580,322	2,796,505	2,796,505
13. Totals (Lines 9 - 10 + 11 + 12)	57,060,727	1,370,784,519	7,620,125	92,443,152	64,680,852	83,643,929

(a) Excludes \$loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	784,827	733,503	733,503	.0	
2. 2002	849,013	909,240	908,903	.0	
3. 2003	XXX	919,893	978,803	987,185	
4. 2004	XXX	XXX	956,838	1,019,410	1,018,219
5. 2005	XXX	XXX	XXX	998,559	1,047,848
6. 2006	XXX	XXX	XXX	XXX	1,007,271

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	789,206	733,957			
2. 2002	924,668	914,925	910,099		
3. 2003	XXX	986,929	982,978	986,992	
4. 2004	XXX	XXX	1,043,612	1,031,295	1,018,219
5. 2005	XXX	XXX	XXX	1,061,882	1,054,245
6. 2006	XXX	XXX	XXX	XXX	1,089,982

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002	1,005,989	908,903	7,602	.8	916,505	91.1			916,505	91.1
2. 2003	1,082,638	987,185	16,012	1.6	1,003,197	92.7	.0		1,003,197	92.7
3. 2004	1,138,040	1,018,219	15,174	1.5	1,033,393	90.8	.1	(1)	1,033,393	90.8
4. 2005	1,156,065	1,047,848	12,256	1.2	1,060,104	91.7	6.968	.36	1,067,108	92.3
5. 2006	1,181,084	1,007,271	6,381	0.6	1,013,652	85.8	82,140	727	1,096,518	92.8

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.47,839	.45,987	.45,987	.0	
2. 2002 .....	.59,723	.63,123	.63,103	.0	
3. 2003	XXX	.69,496	.72,996	.73,433	
4. 2004	XXX	XXX	.76,678	.79,940	.79,864
5. 2005	XXX	XXX	XXX	.92,114	.95,240
6. 2006	XXX	XXX	XXX	XXX	89,994

Section B - Incurred Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.48,182	.46,012			
2. 2002 .....	.63,548	.63,400	.63,175		
3. 2003	XXX	.73,599	.73,303	.73,414	
4. 2004	XXX	XXX	.80,688	.80,358	.79,866
5. 2005	XXX	XXX	XXX	.95,916	.95,560
6. 2006	XXX	XXX	XXX	XXX	93,785

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare Supplement

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002 .....	.72,916	.63,103	.536	.0.8	.63,639	.87.3			.63,639	.87.3
2. 2003 .....	.82,949	.73,433	1,220	1.7	.74,653	.90.0			.74,653	.90.0
3. 2004 .....	.92,365	.79,864	1,249	1.6	.81,113	.87.8	.2	.0	.81,115	.87.8
4. 2005	107,163	.95,240	1,099	1.2	.96,339	.89.9	.319	.1	.96,660	.90.2
5. 2006	107,098	89,994	556	0.6	90,550	84.5	3,790	35	94,375	88.1

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.43,190	.40,604	.40,604	.0	
2. 2002 .....	.54,234	.57,366	.57,347	.0	
3. 2003	XXX	.56,940	.60,383	.60,879	
4. 2004	XXX	XXX	.62,673	.66,377	.66,287
5. 2005	XXX	XXX	XXX	.68,401	.72,118
6. 2006	XXX	XXX	XXX	XXX	87,145

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.43,501	.40,628			
2. 2002 .....	.58,194	.57,645	.57,416		
3. 2003	XXX	.60,674	.60,584	.60,878	
4. 2004	XXX	XXX	.66,261	.67,036	.66,291
5. 2005	XXX	XXX	XXX	.72,060	.72,444
6. 2006	XXX	XXX	XXX	XXX	91,139

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002 .....	.68,057	.57,347	.508	.0.9	.57,855	.85.0			.57,855	.85.0
2. 2003 .....	.66,369	.60,879	1,001	.1.6	.61,880	.93.2			.61,880	.93.2
3. 2004 .....	.73,075	.66,287	999	.1.5	.67,287	.92.1	.3	.0	.67,290	.92.1
4. 2005 .....	.80,990	.72,118	918	.1.3	.73,036	.90.2	.326	.2	.73,364	.90.6
5. 2006	90,897	87,145	542	0.6	87,687	96.5	3,995	36	91,718	100.9

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	222,727	211,399	211,399	.0	
2. 2002	129,850	127,437	127,439	.0	
3. 2003	XXX	119,576	119,257	119,357	
4. 2004	XXX	XXX	121,057	121,806	121,804
5. 2005	XXX	XXX	XXX	151,498	151,559
6. 2006	XXX	XXX	XXX	XXX	188,599

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	223,963	211,376			
2. 2002	126,232	126,949	127,433		
3. 2003	XXX	119,766	119,268	119,344	
4. 2004	XXX	XXX	121,910	121,821	121,804
5. 2005	XXX	XXX	XXX	151,606	151,559
6. 2006	XXX	XXX	XXX	XXX	191,118

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002	144,023	127,439	.916	.0.7	128,355	.89.1			128,355	.89.1
2. 2003	130,664	119,357	1,959	.1.6	121,316	.92.8			121,316	.92.8
3. 2004	138,552	121,804	1,935	.1.6	123,739	.89.3	.0		123,739	.89.3
4. 2005	163,022	151,559	1,919	.1.3	153,477	.94.1	.0	.0	153,478	.94.1
5. 2006	208,161	188,599	1,149	0.6	189,748	91.2	2,519	22	192,289	92.4

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.....(917)	.....(307)	.....(307)	......0	.....
2. 2002 .....	.....(1)	.....(218)	.....(218)	......0	.....
3. 2003	XXX.....	......0	.....(41)	.....(31)	.....
4. 2004	XXX.....	XXX.....	......0	......71	......71
5. 2005	XXX.....	XXX.....	XXX.....	......0	.....
6. 2006	XXX.....	XXX.....	XXX.....	XXX.....	.....

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.....(913)	.....(307)	.....	.....	.....
2. 2002 .....	.....(38)	.....(178)	.....(218)	.....	.....
3. 2003	XXX.....	.....	......39	.....(32)	.....
4. 2004	XXX.....	XXX.....	.....	......72	......71
5. 2005	XXX.....	XXX.....	XXX.....	.....	.....
6. 2006	XXX.....	XXX.....	XXX.....	XXX.....	.....

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002.....	......0	.....(218)	.....(1)	.....0.5	.....(219)	.....0.0	.....	.....	.....(219)	.....0.0
2. 2003.....	......0	.....(31)	.....(1)	.....2.6	.....(32)	.....0.0	.....	.....	.....(32)	.....0.0
3. 2004.....	......0	......71	.....	.....0.0	......71	.....0.0	.....	.....	......71	.....0.0
4. 2005.....	......0	......0	.....	.....0.0	......0	.....0.0	.....	.....	......0	.....0.0
5. 2006.....	.....	.....0	.....	.....0.0	.....0	.....0.0	.....	.....	.....0	.....0.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	1,097,666	1,031,186	1,031,186	.0	.0
2. 2002	1,092,819	1,156,948	1,156,574	.0	.0
3. 2003	XXX	1,165,905	1,231,398	1,240,823	.0
4. 2004	XXX	XXX	1,217,247	1,287,604	1,286,246
5. 2005	XXX	XXX	XXX	1,310,571	1,366,765
6. 2006	XXX	XXX	XXX	XXX	1,373,009

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	1,103,939	1,031,666	.0	.0	.0
2. 2002	1,172,605	1,162,742	1,157,904	.0	.0
3. 2003	XXX	1,240,968	1,236,173	1,240,595	.0
4. 2004	XXX	XXX	1,312,471	1,300,583	1,286,252
5. 2005	XXX	XXX	XXX	1,381,463	1,373,807
6. 2006	XXX	XXX	XXX	XXX	1,466,024

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002	1,290,985	1,156,574	9,560	.0.8	1,166,134	.90.3	.0	.0	1,166,134	.90.3
2. 2003	1,362,620	1,240,823	20,191	.1.6	1,261,014	.92.5	.0	.0	1,261,014	.92.5
3. 2004	1,442,032	1,286,246	19,357	.1.5	1,305,603	.90.5	.6	(1)	1,305,608	.90.5
4. 2005	1,507,240	1,366,765	16,192	.1.2	1,382,956	.91.8	7,614	.38	1,390,609	.92.3
5. 2006	1,587,240	1,373,009	8,628	.0.6	1,381,637	87.0	92,443	820	1,474,901	92.9

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves .....	.0											
2. Additional policy reserves (a) .....	.0											
3. Reserve for future contingent benefits .....	.0											
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)	4,480,009						4,480,009					
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross)	4,480,009	.0	.0	.0	.0	.0	4,480,009	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0											
8. Totals (Net) (Page 3, Line 4)	4,480,009	0	0	0	0	0	4,480,009	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims .....	.0											
10. Reserve for future contingent benefits .....	.0											
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0											
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....	105,869	223,784	1,666,339		1,995,992
2. Salaries, wages and other benefits.....	5,887,718	4,258,396	46,517,214		56,663,328
3. Commissions (less \$ceded plus \$assumed.....			8,525,203		8,525,203
4. Legal fees and expenses.....			240,302		240,302
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	3,287		2,092,599		2,095,886
7. Traveling expenses.....	25,756	5,138	385,506		416,400
8. Marketing and advertising.....	123,015	11,917	12,858,371		12,993,303
9. Postage, express and telephone.....	8,864	6,880	4,182,847		4,198,591
10. Printing and office supplies.....	1,808	6,066	224,487		232,361
11. Occupancy, depreciation and amortization.....	59,602	133,061	2,643,489		2,836,152
12. Equipment.....		2,556	146,277		148,833
13. Cost or depreciation of EDP equipment and software.....	584,050	1,133,916	10,032,243		11,750,209
14. Outsourced services including EDP, claims, and other services.....	326,120	527,787	6,289,564		7,143,471
15. Boards, bureaus and association fees.....			657,757		657,757
16. Insurance, except on real estate.....			275,810		275,810
17. Collection and bank service charges.....			480,708		480,708
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....			0		0
21. Real estate expenses.....			27,004		27,004
22. Real estate taxes.....			30,960		30,960
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....	360		7,252		7,612
23.4 Payroll taxes.....	334,287	236,839	2,671,765		3,242,891
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	(140,511)	606,270	(4,703,251)	0	(4,237,492)
26. Total expenses incurred (Lines 1 to 25).....	7,320,225	7,152,610	95,252,446	0	(a) 109,725,281
27. Less expenses unpaid December 31, current year.....		857,444	14,284,396		15,141,840
28. Add expenses unpaid December 31, prior year.....	0	1,101,625	11,557,321	0	12,658,946
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	7,320,225	7,396,791	92,525,370	0	107,242,387
DETAIL OF WRITE-INS					
2501. Miscellaneous.....	(140,511)	606,270	(4,703,251)		(4,237,492)
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	(140,511)	606,270	(4,703,251)	0	(4,237,492)

(a) Includes management fees of \$687,996 to affiliates and \$to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....	.....
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....	.....
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	..... 4,831,100	..... 4,871,080
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) .....	.....
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	..... 3,835,051	..... 3,835,051
9.	Aggregate write-ins for investment income .....	..... 36,201	..... 37,382
10.	Total gross investment income .....	..... 16,718,955	..... 17,033,613
11.	Investment expenses .....	.....	(g) 0
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g) 0
13.	Interest expense .....	.....	(h) 985,186
14.	Depreciation on real estate and other invested assets .....	.....	(i) 822,606
15.	Aggregate write-ins for deductions from investment income .....	.....	..... 0
16.	Total (Lines 11 through 15) .....	.....	..... 1,807,792
17.	Net Investment Income - (Line 10 minus Line 16) .....	.....	..... 15,225,821
DETAILS OF WRITE-INS			
0901.	Rabbi Trust .....	..... 36,201	..... 37,382
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	..... 0	..... 0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	..... 36,201	..... 37,382
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	..... 0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	..... 0

(a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ 0 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ 0 interest on capital notes.
(i) Includes \$ 822,606 depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Unrealized Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....	.....	.....	.....	..... 0
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	..... 0
1.2	Other bonds (unaffiliated) .....	.....	.....	.....	..... 0
1.3	Bonds of affiliates 0	..... 0	..... 0	..... 0	..... 0
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	..... 0
2.11	Preferred stocks of affiliates 0	..... 0	..... 0	..... 0	..... 0
2.2	Common stocks (unaffiliated) (2,441)	..... (472,375)	..... (474,816)	..... (474,816)	..... (474,816)
2.21	Common stocks of affiliates 0	..... (1,612,756)	..... (1,612,756)	..... (1,612,756)	..... (1,612,756)
3.	Mortgage loans .....	.....	.....	.....	..... 0
4.	Real estate .....	.....	.....	.....	..... 0
5.	Contract loans .....	.....	.....	.....	..... 0
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....	..... 0
7.	Derivative instruments .....	.....	.....	.....	..... 0
8.	Other invested assets 0	..... 3,835,120	..... 3,835,120	..... 3,835,120	..... 3,835,120
9.	Aggregate write-ins for capital gains (losses) 0	..... 0	..... 0	..... 0	..... 0
10.	Total capital gains (losses) (2,441)	..... 0	..... 1,749,989	..... 1,747,548	..... 1,747,548
DETAILS OF WRITE-INS					
0901.	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	..... 0	..... 0	..... 0	..... 0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	..... 0	..... 0	..... 0	..... 0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	1,911,881	2,497,782	585,901
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,911,881	2,497,782	585,901
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	12,508,395	13,832,321	1,323,926
19. Furniture and equipment, including health care delivery assets	1,744,779	2,038,803	294,025
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	13,930,767	16,499,278	2,568,510
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	30,095,823	34,868,185	4,772,363
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	30,095,823	34,868,185	4,772,363
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses.....	1,758,719	1,324,227	(434,492)
2302. Intangible Assets.....	2,185,578	2,791,827	606,249
2303. Goodwil.....	9,986,471	12,383,224	2,396,753
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	13,930,767	16,499,278	2,568,510

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	449,656	443,766	440,932	436,444	430,864	5,268,071
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	449,656	443,766	440,932	436,444	430,864	5,268,071
DETAILS OF WRITE-INS						
0601. ....	.0					
0602. ....	.0					
0603. ....	.0					
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Practices - The accompanying financial statements of Health Alliance Plan of Michigan(the Corporation) have been prepared in accordance with the *NAIC Accounting Practices and Procedures Manual(NAPPM)* and the NAIC Annual Statement Instructions (NASI) to the extent that the accounting practices, procedures and reporting standards are not modified by the Michigan Insurance Code or the Forms and Instructions for Required Filings in Michigan.
- B. Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the statutory financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.
- C. Accounting Policy - Subscriptions revenue received in advance of the respective period of coverage are credited to income ratably over the period of coverage. Health policy claims consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the balance sheet date and estimates, based on historical claims experience, for claims incurred but not reported.
- (1) Short-term investments are stated either at market value or at amortized cost based on the underlying security.
 - (2) Bonds are recorded at amortized cost, which approximates market value.
 - (3) Common stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Corporation has an interest of 20% or more are carried on the equity basis.
 - (4) The Corporation owns no preferred stocks.
 - (5) The Corporation owns no mortgage loans.
 - (6) The Corporation owns no loan-backed securities.
 - (7) The Corporation's subsidiaries are included in the statement of admitted assets, liabilities, and net worth - statutory basis using the equity method of accounting. The related income or loss is reported as a direct charge to net worth.
 - (8) Investments in limited liability companies are carried on the equity basis at market value.
 - (9) The Corporation does not hold any derivative financial instruments.
 - (10) The Corporation's method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERROR

- A. Material changes in accounting principles and/or correction of errors - The Corporation has none to report.

3. BUSINESS COMBINATIONS AND GOODWILL

- A. The Company purchased a 100% interest of CuraNet, LLC on August 15, 2006. CuraNet, LLC is a regional network of hospitals and physicians serving Michigan, Northwest Ohio and Northern Indiana. The transaction was accounted for as a statutory purchase with a cost of \$604,000.

4. DISCONTINUED OPERATIONS

The Corporation has no discontinued operations to report.

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS

- A. The Corporation has no investments in mortgage loans.
- B. The Corporation has no debt restructurings.
- C. The Corporation has no reverse mortgages.
- D. The Corporation has no loan-backed securities.
- E. For repurchase agreements, Company policies require a minimum of 102% of the fair value of securities purchased under repurchase agreements to be maintained as collateral.
- F. The Corporation has not recognized an impairment loss on its investments in real estate and has not sold or classified real estate investments as held for sale.
- G. The Corporation does not have investments in low-income housing tax credits.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. The Corporation has a minor ownership interest in Western Assets US Core Plus, LLC and Western Assets US Limited Duration, LLC, limited liability companies which are portfolios that invest assets in investment grade debt and fixed income securities. The Corporation utilizes the audited GAAP equity method to account for its investments and its share of the portfolio's undistributed earnings are included in investment income. The fair value of the Corporation's investment as of December 31, 2006 is \$63,057,000.

7. INVESTMENT INCOME

The Corporation had no excluded investment income.

8. DERIVATIVE INSTRUMENTS

The Corporation does not hold any derivative instruments.

9. INCOME TAXES

- A-F. The Corporation is an entity described under Internal Revenue Code Section 501(c)(4) and as such is exempt from federal income taxes.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. The Corporation has three wholly subsidiaries, Preferred Health Plan, Inc.(PHP), Alliance Health and Life Insurance Company(AHLIC) and CuraNet, LLC. The Corporation is a subsidiary of Henry Ford Health System(HFHS).
- B-C. The Corporation received subscription revenue from related parties totaling approximately \$98,543,000 and \$91,256,000 in 2006 and 2005, respectively. The Corporation purchased healthcare services from related parties totaling approximately \$615,300,000 and \$774,671,000 in 2006 and 2005, respectively.
- D. The Corporation has included in the balance sheet accounts the receivables and payables associated with subscription revenue received from related parties and health care services purchased from related parties. The Corporation has intercompany receivables of \$832,000, \$343,000, and \$81,000 for PHP, AHLIC and CuraNet, respectively and, intercompany payables of \$119,000 and \$314,000 for PHP and AHLIC, respectively. The Corporation also has an intercompany payable to HFHS of \$174,000. The terms of the settlement require that these amounts be settled within 15 days.
- E. The Corporation is a member of the Henry Ford Health System Obligated Group(the Obligated Group). As of December 31, 2006, members of the Obligated Group are jointly and severally liable for outstanding obligations having a carrying value of \$602,825,000 issued under the master indenture. The Obligated Group has guaranteed \$30,260,000 in indebtedness of other entities. Such amounts approximate the fair value of the obligations.
- F. The Corporation has management agreements with PHP and AHLIC. Under the terms of the agreement, the Corporation provides various administrative support and services. Services provided by the Corporation to PHP totaled \$4,133,000 and \$1,715,000 in 2006 and 2005 respectively. Services provided by the Corporation to AHLIC totaled \$10,682,000 and \$6,292,000 in 2006 and 2005, respectively. Services provided by the Corporation to CuraNet totaled \$196,000 in 2006.

NOTES TO FINANCIAL STATEMENTS

11. DEBT

The Company has an outstanding liability for a note in the amount \$229,000 due to its subsidiary CuraNet LLC in connection with its purchase. The final principal amount is due 2009. Interest at 4.0% and principal amounts are required to be paid annually and semi-annually.

The Company does not have any reverse repurchase agreements.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT PLANS

A. The corporation has a noncontributory defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and final average earnings. The Corporation's funding policy is to fund an amount based on the recommendation of consulting actuaries that is in compliance with the requirements of the Employee Retirement Security Act of 1974. The Corporation also has a non-qualified Supplemental Executive Retirement Plan covering certain key executives.

The Corporation invests the majority of the assets of the Plan in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. The targeted allocation percentages are 60% common stock and 40% bonds and other fixed instruments. The percentage of the fair value of total plan assets held as of September 30, the measurement date, is shown below.

	2006	2005
Cash and money markets	13 %	11 %
Corporate bonds and bond funds	20	13
Common stock and preferred stock	54	65
U.S. government and agency issues	8	11
Alternative Investments	<u>5</u>	<u>-</u>
Total	<u>100 %</u>	<u>100 %</u>

The expected long-term rate of return on plan assets is established based on management's expectations of asset returns for the investment mix in the plans considering both historical experience and the current economic environment. The expected returns of various asset categories are blended to derive one long-term assumption.

For the years ended December 31, 2006 and 2005, the accumulated benefit obligation was \$40,940,000 and \$35,951,000, respectively.

The Corporation is not expected to make a contribution to the Plan during 2007.

The Corporation also provides postretirement healthcare and life insurance benefits to employees who meet minimum age and years of service requirements. Benefits to employees may require employee contributions or be provided in the form of a fixed dollar subsidy.

A summary of the changes in benefit obligations for the Pension and Other Postretirement Benefit Plans at December 31, 2006 and 2005 are as follows (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2006	2005	2006	2005
Benefit obligation at beginning of year	\$46,188	\$ 40,541	\$ 656	\$ 692
Service cost	3,653	4,212	80	111
Interest cost	2,662	2,409	37	40
Amendments		93		(35)
Actuarial (gain) loss	577	1,009	(114)	(62)
Benefits paid	(1,180)	(2,076)	(70)	(90)
Other				
Benefit Obligation at end of year	<u>\$51,900</u>	<u>\$ 46,188</u>	<u>\$ 589</u>	<u>\$ 656</u>

**ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan**

NOTES TO FINANCIAL STATEMENTS

The following table sets forth the change in Plan assets and the funded status at December 31, 2006 and 2005 for the Plan (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2006	2005	2006	2005
Fair value of Plan assets at beginning of year	\$26,801	\$ 25,398	\$	\$ -
Actual return on assets	2,139	2,147		
Employer contribution	6,477	1,332	70	
Benefits paid	<u>(1,180)</u>	<u>(2,076)</u>	<u>(70)</u>	
Fair value of Plan assets at end of year	<u>\$34,237</u>	<u>\$ 26,801</u>	<u></u>	<u>\$ -</u>
Funded status	\$(17,663)	\$(19,387)	\$ (589)	\$ (656)
Unrecognized transition obligation	10,251	10,854	(236)	(250)
Unrecognized prior service cost	84	93	(18)	(19)
Unrecognized deferred gain (loss)	2,688	2,082	(244)	(144)
Other				
Net amount recognized	<u>\$(4,640)</u>	<u>\$ (6,358)</u>	<u>\$ (1,087)</u>	<u>\$ (1,069)</u>

Amounts recognized in the statement of admitted assets, liabilities, capital, and surplus at December 31, 2006 and 2005 consist of:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2006	2005	2006	2005
Accrued benefit cost	\$(6,826)	\$ (9,150)	\$ (1,087)	\$ (1,069)
Additional minimum pension liability charged to net assets	<u>2,186</u>	<u>2,792</u>		
Net amount recognized	<u>\$(4,640)</u>	<u>\$ (6,358)</u>	<u>\$ (1,087)</u>	<u>\$ (1,069)</u>

Benefit obligation for non-vested employees at December 31, 2006 and 2005 is as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2006	2005	2006	2005
Total non-vested benefit obligation	\$ 1,129	\$ 995	\$ 82	\$ -

A summary of the components of net periodic benefit cost at December 31, 2006 and 2005 is as follows (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2006	2005	2006	2005
Service cost	\$ 3,615	\$ 4,212	\$ 80	\$ 111
Interest cost	2,630	2,409	37	40
Expected return on assets	(2,194)	(2,123)	(8)	
Net amortization and deferral	<u>611</u>	<u>603</u>	<u>(22)</u>	<u>(14)</u>
Net periodic benefit cost	<u>\$ 4,662</u>	<u>\$ 5,101</u>	<u>\$ 87</u>	<u>\$ 137</u>

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

NOTES TO FINANCIAL STATEMENTS

A summary of other assumptions at December 31, 2006 and 2005 is as follows (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2006	2005	2006	2005
Weighted average assumptions:				
Net periodic benefit obligation:				
Discount rate	6.05 %	5.95 %	6.05 %	5.95 %
	Age-Related			
Rate of compensation increases	Salary Scale		N/A	N/A
Net periodic benefit cost:				
Discount rate	5.95	6.05	5.95	6.05
Expected return on plan assets	8.50	8.50	N/A	N/A
Rate of compensation increases	Age-Related	4.00	N/A	N/A
	Salary Scale			
Benefits paid	\$ (1,180)	\$ (2,076)	\$ (70)	\$ (90)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Postretirement Benefits	Annual Subsidy
2007	\$ 3,450,000	\$ 100,000	\$ -
2008	3,630,000	100,000	-
2009	4,080,000	100,000	-
2010	4,230,000	100,000	-
2011	4,720,000	100,000	
Years 2012 through 2016	29,660,000	500,000	300,000

Significant assumptions used in valuing the postretirement health care obligations at December 31, 2006 and 2005 include:

	2006	2005
Medical inflation rate	8.00% scaled to 5% over six years	8.00% scaled to 5% over six years
Pharmaceutical inflation rate	12.00% scaled to 5% over six years	12.00% scaled to 5% over six years

The Corporation is expected to make a \$100,000 contribution to the postretirement health care plan in 2007.

A 1% increase in the assumed medical rate of inflation would decrease the accumulated postretirement benefit obligation by .3% and decrease the net periodic cost by 2.3%. A 1% decrease in the assumed medical rate of inflation would increase the accumulated postretirement benefit obligation by .4% and increase the net periodic cost by 2.2%.

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act"). The Act expanded Medicare to include, for the first time, coverage for prescription drugs. Henry Ford Health System and its subsidiaries sponsor retiree medical programs and the Corporation expects that this legislation will eventually reduce the Corporation's costs for some of these programs. Recognition of this Act was deferred at December 31, 2003, as permitted under Financial Accounting Standards Board ("FASB") Staff Position ("FASB")

No. FAS 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement, and Modernization Act of 2003*, pending issuance of final accounting guidance from the FASB. Provisions of the ACT were recognized as of July 1, 2004, as allowed under FSP FAS 106-2, which was issued during 2004 and supersedes FSP FAS 106-1. The decrease in Plan liabilities as of September 30, 2004, related to the projected receipt of the Medicare drug subsidy, is \$207,000. The ACT was reflected in the determination of net periodic benefit cost for the last quarter of fiscal year 2004.

NOTES TO FINANCIAL STATEMENTS

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

- A. The Corporation has no common stock.
- B. The Corporation has no preferred stock.
- C. The Corporation has no restrictions on unassigned funds (surplus).
- D. The Corporation holds 1,500,000 shares of AHLIC stock with a par value of \$1,500,000 and 50,000 shares of Preferred Health Plan with a par value of \$50,000.
- E. The Corporation has no surplus notes outstanding.
- F. The Corporation has no quasi-reorganization to report.
- G. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$(3,835,000) .

14. CONTINGENCIES

- A. The Corporation is party to lawsuits incident to the operations. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

15. LEASES

- A. The Corporation has a capital lease agreement for its headquarters building. The net book value of the building at December 31, 2006 is \$2,629,000 . The capital lease obligation requires payments in future years as follows (dollars in thousands):

2007	\$60
2008	60
2009	60
2010	60
2011	60
Later years	765
Total minimum lease payments	

Less interest at an average annual interest rate of 8.25% 508

Present value of obligations under capitalized lease,
including \$12 due within one year 557

- B. The Corporation has a capital lease on 8 Xerox printers with a net book value of \$62,000 at December 31, 2006. The capital lease obligation requires payments in future years as follows (dollars on thousands):

2007	\$41
2008	27
Total minimum lease payments	68

Less interest at an average annual interest rate of 3.92% 2

Present value of obligations under capitalized lease,
including \$37 due within one year \$66

NOTES TO FINANCIAL STATEMENTS

- C. The Corporation has operating leases for office facilities and equipment. These leases, in some instances, are renewable at the option of the Corporation.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2006 (dollars in thousands):

2007	\$1,593
2008	1,593
2009	1,593
2010	1,593
2011	1,738
Later years	<u>2,606</u>
Total minimum payments required	<u>\$10,716</u>

The total rental expense for all operating leases, except those with terms of a month or less amounted to \$1,182,000 and \$1,171,000 for the years ended December 31, 2006 and 2005, respectively. A portion of the annual rent expense is allocated to an affiliated subsidiary each year.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

A. The Corporation does not hold any financial instruments with off-balance sheet risk.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

A-B. The Corporation has not transferred any receivables or financial assets.

C. The Corporation does not have any wash sales.

18. GAIN OR LOSS TO THE ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

The Corporation has no gains or losses from uninsured accident and health plans.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/ THIRD PARTY ADMINISTRATORS

The Corporation does not have any managing general agents or third party administrators.

20. SEPTEMBER 11 EVENTS

The Corporation has no losses, contingencies and insurance or reinsurance recoveries to report as result of the September 11 events.

21. OTHER ITEMS

A-D. The Corporation has no extraordinary items, troubled debt restructuring and other disclosures to report.

22. EVENTS SUBSEQUENT

The Corporation does not have any to report.

23. REINSURANCE

Not applicable.

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

Not applicable.

NOTES TO FINANCIAL STATEMENTS

25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Changes in actuarial estimates of claims unpaid reported as "incurred related to prior years" reflect revisions in estimates of medical cost trends and changes in claims processing patterns.

26. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

27. STRUCTURED SETTLEMENTS

Not applicable.

28. HEALTH CARE RECEIVABLES

A. Pharmaceutical Rebate Receivables (dollars in thousands)

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days after Billing
12/31/2006	2,652	2,587			
09/30/2006	1,568	2,661	3,073		
06/30/2006	1,571	1,783	2,051	505	
03/31/2006	1,631	1,842	2,301	26	
12/31/2005	1,627	1,892	2,126	144	200
09/30/2005	1,047	1,166	1,071	366	
06/30/2005	952	1,086	986	239	
03/31/2005	937	1,154	962	22	305
12/31/2004	923	1,129	927	9	416
09/30/2004	878	1,096	1,049	28	1
06/30/2004	876	1,352	1,221	12	
03/31/2004	924	1,223	1,139	113	

B. Risk Sharing Receivables (dollars in thousands)

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received Third Year Subsequent
2006	2006 2007	XXXX XXXX	N/A XXXX		XXXX				
2005	2005 2006	3,372 XXXX	8,111 XXXX	7,979	151 XXXX	7,979			

29. PARTICIPATING POLICIES

Not applicable.

30. PREMIUM DEFICIENCY RESERVES

Not applicable.

31. ANTICIPATED SALVAGE AND SUBROGATION

Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.000		0.000
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds	102,959,679	28.085	102,959,679	28.233
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated	25,693,822	7.009	25,693,822	7.045
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	0	0.000	0	0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company	2,795,374	0.763	883,493	0.242
5.2 Property held for the production of income (including \$of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	171,219,931	46.705	171,219,931	46.950
9. Other invested assets	63,927,889	17.438	63,927,889	17.530
10. Total invested assets	366,596,695	100.000	364,684,814	100.000

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2002
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2002
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/11/2004
- 3.4

By what department or departments? The Michigan Office of Financial and Insurance Services
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes [] No [X]
- 4.12

renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes [] No [X]
- 4.22

renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,
- 7.21

State the percentage of foreign control;
- 7.22

State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte and Touche LLP Suite 900 600 Renaissance Center Detroit MI 48243 1895
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

David O thoen FSA MAAA Deloitte and Touche LLP 400 One Financial Plaza 120 S Sixth Street Minneapolis MN 55402 1844
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA [X]

BOARD OF DIRECTORS

13.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
14.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
15.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [X] No []

FINANCIAL

- 16.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11

To directors or other officers

\$

16.12

To stockholders not officers

\$

16.13

Trustees, supreme or grand (Fraternal only)

\$
- 16.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21

To directors or other officers

\$

16.22

To stockholders not officers

\$

16.23

Trustees, supreme or grand (Fraternal only)

\$
- 17.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]
- 17.2

If yes, state the amount thereof at December 31 of the current year:

17.21

Rented from others

\$

17.22

Borrowed from others

\$

17.23

Leased from others

\$

17.24

Other

\$
- 18.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [] No [X]
- 18.2

If answer is yes,

18.21

Amount paid as losses or risk adjustment

\$

18.22

Amount paid as expenses

\$

18.23

Other amounts paid

\$
- 19.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []
- 19.2

If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$

828,923

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES
INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

20.2 If no, give full and complete information relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21

Loaned to others

\$

21.22

Subject to repurchase agreements

\$

21.23

Subject to reverse repurchase agreements

\$

21.24

Subject to dollar repurchase agreements

\$

21.25

Subject to reverse dollar repurchase agreements

\$

21.26

Pledged as collateral

\$

21.27

Placed under option agreements

\$

21.28

Letter stock or other securities restricted as to sale ...

\$

21.29

Other

\$

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA [X]
If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year. \$

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

¹ Name of Custodian(s)	² Custodian's Address
Comerica Bank NA.....	Detroit Michigan.....
Western Assets.....	Wilmington Delaware.....
JPMorgan Chase.....	New York New York.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

¹ Name(s)	² Location(s)	² Complete Explanation(s)
.....
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

¹ Old Custodian	² New Custodian	³ Date of Change	⁴ Reason
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

¹ Central Registration Depository Number(s)	² Name	² Address
not applicable.....	Brian Gamble.....	Detroit Michigan.....
107247.....	Joe Wich.....	Detroit Michigan.....
70923.....	Calvin Johnson.....	Chicago Illinois.....
7691.....	Susan Renaud.....	Detroit Michigan.....
110441.....	Sandy Goodman.....	Pasadena California.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No [X]

25.2 If yes, complete the following schedule:

¹ CUSIP #	² Name of Mutual Fund	³ Book/Adjusted Carrying Value
.....
.....
25.2999 TOTAL		0

25.3 For each mutual fund listed in the table above, complete the following schedule:

¹ Name of Mutual Fund (from above table)	² Name of Significant Holding Of the Mutual Fund	³ Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	⁴ Date of Valuation
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
26.1 Bonds.....	42,460,410	42,460,410	0
26.2 Preferred stocks.....	0		0
26.3 Totals	42,460,410	42,460,410	0

26.4 Describe the sources or methods utilized in determining fair values:
Fair values are obtained from the Company s Securities Managers who utilize nationally recognized securities ratings organizations.....

27.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list the exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$751,098

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
America s Health Insurance Plans.....	249,212

29.1 Amount of payments for legal expenses, if any?.....\$240,302

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Dykema Gossett PLLC.....	104,356

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [X] No []

1.2

If yes, indicate premium earned on U. S. business only

\$ 107,097,591

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$ 92,955,845

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 10,738,205

1.62

Total incurred claims

\$ 9,413,435

1.63

Number of covered lives

2,399

All years prior to most current three years:

1.64

Total premium earned

\$ 34,830,669

1.65

Total incurred claims

\$ 31,440,102

1.66

Number of covered lives

15,072

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 295,887,526

1.72

Total incurred claims

\$ 259,308,121

1.73

Number of covered lives

65,008

All years prior to most current three years:

1.74

Total premium earned

\$ 459,816,111

1.75

Total incurred claims

\$ 410,938,116

1.76

Number of covered lives

203,484

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$ 1,587,239,857

\$ 1,507,239,774

2.2

Premium Denominator

\$ 1,587,239,857

\$ 1,507,239,774

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

\$ 104,543,286

\$ 83,643,929

2.5

Reserve Denominator

\$ 104,543,286

\$ 83,643,929

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [X] No []

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2

If no, explain:

See Footnote 12(C) Other Disclosures for an explanation of stop loss out of network reserve

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

See Attachment D

7.1

Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [X] No []

7.2

If no, give details:

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

7,370

8.2

Number of providers at end of reporting year

7,802

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

9.22

Business with rate guarantees over 36 months

28

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GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes [X] No []

10.2 If yes:

10.21 Maximum amount payable bonuses

\$

10.22 Amount actually paid for year bonuses

\$

10.23 Maximum amount payable withholds

\$17,811,004

10.24 Amount actually paid for year withholds

\$8,748,674

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No []

11.13 An Individual Practice Association (IPA), or,

Yes [X] No []

11.14 A Mixed Model (combination of above) ?

Yes [] No []

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

Michigan

11.4 If yes, show the amount required.

\$101,692,506

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation.

The greater of 4% of premiums or 200% of the authorized control level risk based capital is reported as the Company s minimum capital requirement

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Genessee County.....
Lapeer County.....
Livingston County.....
Macomb County.....
Monroe County.....
Oakland County.....
St Clair County.....
Washtenaw County.....
Wayne County.....

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE
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FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	393,976,048	347,709,889	356,085,177	330,340,120	352,053,748
2. Total liabilities (Page 3, Line 22)	151,623,795	126,936,579	139,597,457	137,520,379	171,739,439
3. Statutory surplus	1,000,000	1,000,000	1,000,000	1,000,000	1,350,000
4. Total capital and surplus (Page 3, Line 31)	242,352,253	220,773,309	216,487,720	192,819,741	180,314,309
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,587,239,857	1,507,239,774	1,442,031,879	1,362,620,115	1,290,985,128
6. Total medical and hospital expenses (Line 18)	1,444,264,594	1,373,356,695	1,300,059,561	1,228,269,590	1,169,485,054
7. Claims adjustment expenses (Line 20)	14,472,835	17,408,413	20,687,340	13,422,973	11,299,019
8. Total administrative expenses (Line 21)	95,252,446	96,030,520	99,711,083	99,198,596	95,865,819
9. Net underwriting gain (loss) (Line 24)	33,249,982	20,444,146	21,573,895	21,728,956	14,335,236
10. Net investment gain (loss) (Line 27)	15,223,380	13,199,245	9,688,533	8,980,415	12,336,747
11. Total other income (Lines 28 plus 29)	418,350	569,742	699,604	159,132	(2,239)
12. Net income (loss) (Line 32)	48,891,712	34,213,133	31,962,032	30,868,503	26,669,744
Risk - Based Capital Analysis					
13. Total adjusted capital.....	242,856,420	221,043,306	216,487,720	192,819,741	180,314,309
14. Authorized control level risk-based capital.....	50,846,360	42,249,380	38,476,482	37,080,302	35,139,964
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	430,864	449,656	460,919	471,150	485,154
16. Total member months (Column 6, Line 7)	5,268,071	5,446,041	5,561,745	5,667,942	5,929,370
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus 19)	91.0	91.1	90.2	90.1	90.6
19. Cost containment expenses	0.5	0.5	0.5	xxx	xxx
20. Other claims adjustment expenses	0.5	0.6	0.9	1.0	0.9
21. Total underwriting deductions (Line 23)	97.9	98.6	98.5	98.4	98.9
22. Total underwriting gain (loss) (Line 24)	2.1	1.4	1.5	1.6	1.1
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	64,680,852	93,222,829	73,521,974	71,195,582	64,435,206
24. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	83,643,929	101,329,034	83,634,477	86,058,929	67,555,292
Investments In Parent, Subsidiaries And Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	25,693,822	26,702,976	40,893,294	30,407,247	17,381,567
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate	0	0	0	0	0
30. All other affiliated	0	0	0	0	0
31. Total of above Lines 25 to 30	25,693,822	26,702,976	40,893,294	30,407,247	17,381,567

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SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	0	0	0	0
	2. Canada				
	3. Other Countries				
	4. Totals	0	0	0	0
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	0	0	0	0
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	102,959,679	102,959,679	105,892,262	
	50. Canada				
	51. Other Countries				
	52. Totals	102,959,679	102,959,679	105,892,262	
Parent, Subsidiaries and Affiliates	53. Totals	25,693,822	25,693,822	26,153,601	
	54. Total Common Stocks	128,653,501	128,653,501	132,045,863	
	55. Total Stocks	128,653,501	128,653,501	132,045,863	
	56. Total Bonds and Stocks	128,653,501	128,653,501	132,045,863	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	125,317,749	7. Amortization of premium.....	
2. Cost of bonds and stocks acquired, Column 7, Part 3	5,474,681	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....		8.1 Column 15, Part 1	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	0	8.3 Column 16, Part 2, Sec. 2	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	0	8.4 Column 15, Part 4	0
4.3 Column 15, Part 2, Sec. 2.....	(2,086,384)	9. Book/adjusted carrying value at end of current period	128,653,501
4.4 Columns 11 - 13, Part 4	1,253	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	(2,441)	11. Subtotal (Lines 9 plus 10)	128,653,501
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted amounts	
Column 7, Part 4	51,358	13. Statement value of bonds and stocks, current period	128,653,501

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SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
State, Etc.	1	2	Direct Business Only					
	Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6	7	8
			Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit Type Contract Funds	Property/ Casualty Premiums
1. Alabama.....AL	No	No						
2. Alaska.....AK	No	No						
3. Arizona.....AZ	No	No						
4. Arkansas.....AR	No	No						
5. California.....CA	No	No						
6. Colorado.....CO	No	No						
7. Connecticut.....CT	No	No						
8. Delaware.....DE	No	No						
9. District of Columbia.....DC	No	No						
10. Florida.....FL	No	No						
11. Georgia.....GA	No	No						
12. Hawaii.....HI	No	No						
13. Idaho.....ID	No	No						
14. Illinois.....IL	No	No						
15. Indiana.....IN	No	No						
16. Iowa.....IA	No	No						
17. Kansas.....KS	No	No						
18. Kentucky.....KY	No	No						
19. Louisiana.....LA	No	No						
20. Maine.....ME	No	No						
21. Maryland.....MD	No	No						
22. Massachusetts.....MA	No	No						
23. Michigan.....MI	No	Yes	1,282,666,850	208,160,876		90,897,090		
24. Minnesota.....MN	No	No						
25. Mississippi.....MS	No	No						
26. Missouri.....MO	No	No						
27. Montana.....MT	No	No						
28. Nebraska.....NE	No	No						
29. Nevada.....NV	No	No						
30. New Hampshire.....NH	No	No						
31. New Jersey.....NJ	No	No						
32. New Mexico.....NM	No	No						
33. New York.....NY	No	No						
34. North Carolina.....NC	No	No						
35. North Dakota.....ND	No	No						
36. Ohio.....OH	No	No						
37. Oklahoma.....OK	No	No						
38. Oregon.....OR	No	No						
39. Pennsylvania.....PA	No	No						
40. Rhode Island.....RI	No	No						
41. South Carolina.....SC	No	No						
42. South Dakota.....SD	No	No						
43. Tennessee.....TN	No	No						
44. Texas.....TX	No	No						
45. Utah.....UT	No	No						
46. Vermont.....VT	No	No						
47. Virginia.....VA	No	No						
48. Washington.....WA	No	No						
49. West Virginia.....WV	No	No						
50. Wisconsin.....WI	No	No						
51. Wyoming.....WY	No	No						
52. American Samoa.....AS	No	No						
53. Guam.....GU	No	No						
54. Puerto Rico.....PR	No	No						
55. U.S. Virgin Islands.....VI	No	No						
56. Northern Mariana Islands.....MP								
57. Canada.....CN	No	No						
58. Aggregate other alien.....OT	XXX	XXX	0	0	0	0	0	0
59. Subtotal.....	XXX	XXX	1,282,666,850	208,160,876	0	90,897,090	0	0
60. Reporting entity contributions for Employee Benefit Plans.....	XXX	XXX	5,515,041					
61. Total (Direct Business).....	XXX	(a) 1	1,288,181,891	208,160,876	0	90,897,090	0	0
DETAILS OF WRITE-INS								
5801.	XXX	XXX						
5802.	XXX	XXX						
5803.	XXX	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page.....	XXX	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above).....	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.: Premiums are allocated based upon the resident state of the member

(a) Insert the number of yes responses except for Canada and other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY
GROUP**

PART 1 - ORGANIZATIONAL CHART